

## **DECISION MEMORANDUM**

**TO: COMMISSIONER KEMPTON  
COMMISSIONER SMITH  
COMMISSIONER REDFORD  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: WELDON STUTZMAN  
DEPUTY ATTORNEY GENERAL**

**DATE: JANUARY 28, 2010**

**SUBJECT: IDAHO POWER COMPANY'S APPLICATION FOR APPROVAL OF  
STIPULATION REGARDING PRUDENCY DETERMINATION OF  
ENERGY EFFICIENCY RIDER FUNDS SPENT DURING 2002-2007,  
CASE NO. IPC-E-09-09**

In its 2008 rate case, Case No. IPC-E-08-10, Idaho Power requested that the Commission find that its 2002-2007 expenditures on conservation programs, funded by the Energy Efficiency Rider, were prudently incurred. Total Rider expenditures during the period were approximately \$33 million. The Commission deferred a determination on the prudence of the expenditures pending additional information to evaluate the programs' effectiveness. In February 2009, Idaho Power and Staff filed a Stipulation in that case establishing the prudence of a portion of the Rider funds the Company spent during the five-year period. The Commission subsequently issued an Order finding that "the Stipulation identifying approximately \$18.3 million in energy efficiency expenditures for 2002-2007 as prudent to be just, reasonable, and in the public interest." The Stipulation approved by the Commission also required the Company to file a pleading with the Commission seeking a prudence determination for the balance of Rider funds spent during 2002-2007. On April 1, 2009, the Company filed an Application requesting the Commission find the remaining \$14,657,971 in 2002-2007 Energy Efficiency Rider expenditures to be prudently incurred expenses.

Following the filing of the Company's Application, Staff and Idaho Power continued to discuss ways to evaluate the effectiveness of the Company's demand-side management (DSM) programs. On October 5, 2009, Staff hosted a DSM evaluation workshop, including an evaluation consultant retained by the Commission, to discuss appropriate levels of objective and

transparent evaluation of DSM programs. As a result of the workshop and follow-up discussions, Idaho Power and Staff agreed to terms for a comprehensive utility annual DSM report, as set forth in a Memorandum of Understanding (MOU). The MOU provides terms for Idaho Power to manage, plan, evaluate, and report its DSM activities to the Commission. In addition, Staff and the Company signed a Stipulation agreeing that the remaining balance of Rider funds spent during 2002-2007 (\$14,657,971) were prudent expenditures and should be approved for ratemaking purposes. The Memorandum of Understanding providing terms for reporting and evaluation of DSM expenditures is attached to the Stipulation.

On January 25, 2010, Idaho Power filed a Motion to Approve Stipulation. In addition, the Company specifically requests that the Commission confirm that the \$14,657,971 in Energy Efficiency Rider expenditures the Company made between 2002-2007 were prudent, and that the Commission provide feedback regarding the DSM evaluations and prudence determinations discussed in the Memorandum of Understanding. Because the 2002-2007 DSM expenditures were made using tariff rider funds, a determination that the expenditures were prudent will not affect customer rates.

This case is an outgrowth of the 2008 Idaho Power rate case, and so a separate Notice of Application was not issued when the application was filed in this case. Staff recommends the Commission now issue a Notice of Application and Notice of Idaho Power's Motion to Approve Stipulation resolving the prudence determination for the remaining 2002-2007 Rider expenditures and approving the terms for future reporting and evaluation of DSM programs. Staff recommends that the case be processed by Modified Procedure with a 21-day comment period.

### **COMMISSION DECISION**

Should the Commission issue, in a single document, a Notice of Application, Notice of Motion to Approve Stipulation, and Notice of Modified Procedure to process the Company's Application?

A handwritten signature in black ink, appearing to read 'W B Stutzman', written over a horizontal line.

Weldon B. Stutzman  
Deputy Attorney General

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